



Russia's war in Ukraine: a review of legal acts relevant for business

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Russia's war in Ukraine has prompted an unprecedented reaction of countries all over the world – economic sanctions and other restrictive measures to Russian and Belarusian entities. Lithuanian companies having business or other business relationships in those countries feel the impact of these measures, too. These companies currently encounter various legal issues, such as termination of business or transfer of activities, performance of agreements etc., therefore this newsletter will help you follow the legislation or its amendments important for business in Europe, Lithuania, Ukraine, Russia and Belarus.

European Union's response

- The European Commission **proposed** the sixth package of sanctions against Russia, which includes:
 - sanctions on high ranking military officers and other individuals who were involved in the siege of Bucha and Mariupol;
 - the de-Swifiting of Sberbank and two other major Russian banks;
 - restrictions on three Russian state-owned broadcasters, who will be prohibited from distributing their content in the European Union;
 - a ban on the provision of services to Russian companies by accountants, consultants and spin-doctors;
 - an import ban on Russian oil.

In Lithuania

- In her [statement](#), the Minister of the Interior says that a working group has been set up to prepare and submit legal proposals on the use of frozen assets of Russian oligarchs:
 - since the new version of the Law on International Sanctions came into force on 19 April 2022, the amount of frozen assets has constantly been increasing (according to the Financial Crime Investigation Service, funds in frozen bank accounts alone reach EUR 61.5 million);
 - the working group will put forward proposals on how to improve the national regulation of international sanctions, providing for clear procedures, strict control of the lawfulness of the process, protection of the rights and freedoms of entities, and a judicial decision on possible confiscation;
 - according to the Minister, although “<...> these would be unprecedented legal decisions, we are dealing with crimes against humanity, and punishment is effective only when it is adequate for the offenses committed. Urgent solutions are needed, as frozen money and assets could return to the accomplices in war crimes and the criminal regime after the sanctions expire”;
 - the Financial Crime Investigation Service proposes to improve the existing legal regulation, i.e. to draft a separate law on confiscation of property of persons subject to international sanctions, the provisions of which could also be reflected in the European regulatory framework;
 - a special [Freeze and Seize Task Force](#) has been set up at the EU level to find common solutions.

- The **Law** on amending Article 2 and Article 46 of the Law on Natural Gas No. viii-1973, which:
 - sets forth the possibility of completely abandoning natural gas supplies from countries that pose threats to national security and the safeguarding of national security interests;
 - establishes the requirement that the Lithuanian natural gas transmission system and the infrastructure of the liquefied natural gas (LNG) terminal can be used by gas suppliers of natural gas from countries that do not pose any threat to national security;
 - provides that the above requirement concerning access to the natural gas transmission system does not apply to those suppliers who transport gas from Belarus in transit to the Kaliningrad region.
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In Ukraine

- **Resolution** No. 96 of the Board of the National Bank of Ukraine amending Resolution No. 18 of the Board of the National Bank of Ukraine on the Operation of the Banking System under the Martial Law dated 24 February 2022, which:
 - imposes restrictions on the activities of Ukrainian investors abroad: temporary ban has been placed i) on foreign settlements for the purposes of purchase of securities, shares, and bonds, and ii) on the payment of a brokerage fee for such transactions with the use of payment cards issued by Ukrainian banks;
 - the above restrictions do not apply to the use of payment cards abroad and in Ukraine for the purposes of payment for any other goods, works or services;
 - has suspended daily non-cash transactions involving the purchase and sale of foreign exchange in euros (which were allowed since the beginning of March 2022).

- **Bill** No. 7232, which is currently under consideration at the Ukrainian Parliament, introduces increased by 50% rates of certain taxes, including corporate income tax, property tax, environmental tax, for companies that “have economic ties with the aggressor state – Russia”:
 - the said Bill primarily targets: i) a Ukrainian company whose ultimate beneficial owner or direct or indirect shareholder or, in case of a Ukrainian joint-stock company, a 5% direct or indirect shareholder is Russia or any Russian resident (individual or company); ii) a Ukrainian company which: receives income in any form from Russia, carries out operational, financial, or investment activities which result or may in the future result in income from Russia; and/or directly or indirectly holds an interest in a company or in a foreign organization, which receives income in any form from Russia, carries out operational, financial, or investment activities which result or may in the future result in income from Russia; and/or is a part of a joint venture which also includes a Russian resident (individual or company) as its member; iii) a Ukrainian member company of a multinational enterprise, if: a parent or any other member company of that multinational enterprise receives income in any form from Russia, carries out operational, financial, or investment activities which result or may in the future result in income from Russia; or a parent or any other member company of that multinational enterprise has financial claims liabilities toward Russian residents; or a parent company or any other member of such international group of companies provides economic support to Russia;
 - there are two cases where a company is exempt from an obligation to apply increased tax rates, namely: i) the company’s activity in Ukraine is considered to have significant social, humanitarian or economic impact; and ii) the company has information regarding the legal steps supposed to result in the loss of the status of a “company that has economic ties with Russia” (for instance, if a multinational enterprise to which the company belongs publicly announces its full suspension of any Russian operations).

In Russia

- The President's **Decree** No. 252 "On Application of Retaliatory Special Economic Measures in Response to Unfriendly Acts by Certain Foreign States and International Organizations", which sets forth as follows:
 - within 10 days from the date of the Decree (which is 3 May 2022), the Russian Government shall draw up and approve:
 - i) a list of sanctioned persons, which will include legal entities, individuals, and their controlled organizations to which the special economic measures will apply; and ii) additional criteria for determination of the transactions that will be prohibited in accordance with sections 2.A and 2.B. The Government of the Russian Federation approved the list of sanctioned persons and the criteria by its Order passed on 11 May 2022 (see below);
 - the term "sanctioned persons" will also cover Russian subsidiaries owned or controlled by the sanctioned persons;
 - all Russian state and municipal authorities, individuals, and legal entities within the jurisdiction of the Russian Federation will be prohibited from any of the following: i) entering into transactions (including foreign trade contracts) with any sanctioned persons; ii) performing new or outstanding obligations (if any, including partial performance) towards any sanctioned person in existing transactions; iii) performing financial transactions if their beneficiary is a sanctioned person;
 - export of products and/or raw materials, produced or mined in the territory of the Russian Federation will be prohibited if such products and/or raw materials are exported and/or supplied (i) to any sanctioned person; and/or (ii) by any sanctioned persons to any other party.

- The Government's **Order** No. 851 "On Measures to Implement Decree No. 252 of the President of the Russian Federation dated 3 May 2022":
 - contains the list of sanctioned persons restricted from doing business and concluding transactions with anyone within the jurisdiction of the Russian Federation;
 - the list relates to the energy sector, certain subsidiaries of Gazprom, one Czech company involved in Yamal-Europe pipeline project, and some other European gas trading and storing companies;
 - in accordance with Decree No. 252 and Order No. 851, all Russian state and municipal authorities, individuals, and legal entities within the jurisdiction of the Russian Federation are prohibited from: i) entering into transactions (including foreign trade contracts) with any sanctioned persons; ii) performing new or outstanding obligations (if any, including partial performance) towards any sanctioned person in existing transactions; iii) performing financial transactions if their beneficiary is a sanctioned person;
 - Order No. 851 also clarifies that the transactions mentioned in clauses (i) and (ii) above are not allowed if only they meet any of the following requirements: i) transactions are made in favor of any sanctioned person; ii) transactions involve the entry into ports of the Russian Federation of vessels owned and/or chartered by any sanctioned person, for their benefit or on their behalf; iii) transactions involve payments, operations with securities with and/or for the benefit of any sanctioned person;
 - Order No. 851 sets forth that the Ministry of Finance of the Russian Federation is entitled to make proposals to the Russian Government on granting temporary permits to conduct certain transactions with sanctioned persons.

In Belarus

- **Resolution** No. 67 of the Ministry of Justice, which sets forth:
 - the procedure for recovery from cryptocurrencies (during enforcement proceedings) in order to confiscate the debtor's assets or otherwise transfer the debtor's assets to the state;
 - the possibility to sell the confiscated cryptocurrencies.
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